

EPC INDUSTRIÉ LIMITED



**17TH ANNUAL REPORT
1998-99**

CHAIRMAN EMERITUS	Krishen Lal Khanna
BOARD OF DIRECTORS	Indrani Khanna, Chairperson Satish K. Arora Dilip J. Thakkar Ravindra K. Kuikarni Jugal Kishore Tandon Deepanjali R. Chhapwale S. K. Dasgupta (Nominee — Unit Trust of India) Vinayak V. Shembekar, (Alternate to Mr. Satish K. Arora)
MANAGEMENT TEAM	Vinayak V. Shembekar, Sr. President Vilas V. Shembekar, President (Business Operations) Kirit M. Mehta, President (Finance) & Company Secretary
AUDITORS	Mukadam and Associates, Chartered Accountants
BANKERS	State Bank of India SBI Commercial & International Bank Ltd. Bank of India
CORPORATE OFFICE & WORKS	H-109, MIDC, Ambad, Nashik - 422 010
REGISTERED OFFICE	201, Delta Hiranandani Gardens Powai, Mumbai - 400 076
BRANCHES	Ahmedabad, Bhopal, Chennai, Coimbatore, Hubli, Jaipur, Jodhpur, Lucknow, Mysore, New Delhi, Rewari, Sangli, Secunderabad, Thrissur
REGISTRARS & TRANSFER AGENTS	IIT Corporate Services Limited IIT House, M. Vasanji Road, Andheri (East), Mumbai - 400 093

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NOTICE

NOTICE is hereby given that the 17TH ANNUAL GENERAL MEETING of the members of EPC INDUSTRIE LIMITED will be held on Thursday, the 30th March, 2000 at 4 p.m. at Kilachand Conference Hall, Indian Merchant Chambers, Churchgate, Mumbai - 400 020 to transact the following business :

- 1 To consider and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31st July 1999, together with the Balance Sheet as at that date and the Report of the Auditors thereon.
- 2 To appoint a Director in place of Mr. R.K. Kulkarni who retires by rotation and being eligible offers himself for re-election.
- 3 To appoint a Director in place of Mr. D. J. Thakker who retires by rotation and being eligible offers himself for re-election.
- 4 To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED THAT in accordance with provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the terms of the remuneration of Mr. Vinayak V. Shembekar, Senior President, appointed as Alternate Director to Mr. Satish K. Arora on 24th February, 1999 as set out below :

Salary:

Rs. 27,000 per month,

which may be increased by the Board of Directors at its discretion subject to ceilings specified in Section II, Part II of Schedule XIII to the Companies Act, 1956.

Perquisites:

In addition to salary, Mr. Shembekar shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, reimbursement of expenditure or allowances in respect of maintenance, utilities such as gas, electricity, furnishings and repairs of the house, medical reimbursement, medical insurance and leave travel concession for self and his family including dependents, personal accident insurance; club fees and such other perquisites, benefits and allowances in accordance with the Rules of the Company as amended from time to time not exceeding his annual salary.

Provided that the following perquisites shall not be included in the computation of perquisites:

- (a) Provision of car with driver for use on the Company's business. However use of car for private purposes shall be billed by the Company to the appointee.
- (b) Telephone facility at the residence. However personal long distance calls on telephone shall be billed by the Company to the appointee.
- (c) Company's contribution to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act; 1961.
- (d) Leave (Privilege, Casual and Sick) and encashment of leave as per the Rules of the Company.

RESOLVED FURTHER THAT subject to the ceilings specified in Section II Part II of Schedule XIII of the Companies Act, 1956, Mr. Shembekar shall be paid remuneration by way of salary and perquisites specified above notwithstanding that in any financial year during the currency of his tenure, the Company has no profits or its profits are inadequate.

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. THE INSTRUMENT OF PROXY SHOULD, HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Explanatory Statement setting out the material facts pursuant to Section 173 of the Companies Act, 1956, in respect of the business under item no. 4 is annexed hereto.
3. The Register of Members and Transfer Books of the Company will remain closed from 15th February, 2000 to 29th February 2000, both days inclusive.
4. Members are requested to advise the Company/Registrar immediately of changes in their addresses, if any.
5. Shareholders seeking any information with regard to accounts are requested to write to the Company atleast fifteen days in advance so as to enable the Company to keep the information ready.
6. Members are requested to bring the copy of their Annual Report and Attendance Slip at the Annual General Meeting.
7. Members are advised to consolidate their Ledger Folios where they are holding shares in different folios in the same sequence of name(s).
8. The shares of the Company are listed with Mumbai, Ahmedabad and Vadodara Stock Exchanges. The Company has paid listing fees for the year 1999-2000 to the above Stock Exchanges.

BY ORDER OF THE BOARD

KIRIT M. MEHTA

President (Finance) & Company Secretary

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956.

Item No.5

Mr. Vinayak V. Shembekar (51) is a B.E. (Elect), having more than two decades experience. He is associated with the Company for 12 years and is in charge of Nashik (Works), HRD & Administration and Technical matters. The Board of Directors appointed Mr. Shembekar as Alternate Director to Mr. Satish K. Arora on 24th February, 1999.

The terms of remuneration payable to Mr. Shembekar is specified in the resolution. Your approval is sought to the terms of remuneration as required under Part iii of the Schedule XIII read with Section 198, 269 and 309 and other applicable provisions of the Companies Act, 1956.

Your Directors recommend the resolutions.

No Director except Mr. Shembekar is deemed to be interested in the resolutions.

The explanatory statement read with the proposed resolution may be treated as Memorandum of Interest under section 302(7) of the Companies Act, 1956.

BY ORDER OF THE BOARD

KIRIT M. MEHTA

President (Finance) & Company Secretary

Registered Office:

201, Delta,
Hiranandani Gardens,
Powai, Mumbai 400 076

Mumbai, 28th December, 1999

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DIRECTORS' REPORT

Your Directors present their Seventeenth Annual Report on the business and operations of the Company and the Financial Statement for the year ended 31st July, 1999.

1. FINANCIAL RESULTS

	1998-99	1997-98 (16 months) Rs./Lakhs
Turnover	4919.58	5486.48
Other Income	114.78	58.40
	5034.36	5544.88
Profit Before Depreciation and Interest	852.63	1085.02
Depreciation	191.61	227.37
Interest	833.44	1,139.25
Profit Before Tax	(-)172.42	(-)281.60
Surplus Brought forward from Previous Year	(-)116.79	172.80
Taxes & Expenses relating to Prior period	22.79	7.99
Surplus carried to Balance Sheet	(-)312.00	(-)116.79

2. REVIEW

The Gross Income for the year increased by 21% (Previous Period (-) 16%) when compared to annualised figures for the previous accounting period.

The irrigation industry showed marginal growth over last couple of years. Steep increase in Subsidy rates on Drip and Sprinkler systems, lengthy procedures, inadequate, uneven and delayed allocation of funds made it imperative for the manufacturers to carry the burden of huge receivables. Resultant liquidity crunch disrupted working capital and operational cycle. Your Company increased emphasis on sales on cash-n-carry and limited and definitive credit terms. The industry is pressing for rationalisation in implementation of the Subsidy schemes. Your Directors are hopeful of positive development soon.

During the year under review, Infrastructure Piping Systems for Gas and Water Distribution and Industrial and Domestic Piping Systems registered reasonable growth. Tie up with various Fittings manufacturers enables your Company to supply quality systems with wide range and multiple options. Your Directors expect healthy growth in this sector in the years to come.

3. PRODUCT CERTIFICATION

During the year under review, prestigious Phase 2 approval were received from BG Technology - British Gas International. Your Company is the only Company in Asia having been awarded with the certification. In July 1999, your Company also received ISO 9002 Certification from DNV B.V., Netherlands for "Manufacture and Supply of Plastic Pipes, Fittings and Components for Irrigation, Infrastructure and Industrial Applications." These achievements have validated Company's claim of using "Quality" as the chief component.

4. DEBT RESTRUCTURE PROPOSAL

Redemption of Non Convertible Debentures issued by your Company in 1994-95 was scheduled to commence from November, 1999. The institutions holding the Debentures have agreed to reschedule the same. Your Directors are also exploring ways and means to correct the operational and financial structure of your Company.

5. Y2K PREPAREDNESS

Your Directors are pleased to report that all critical equipment, processes, and systems are Y2K compliant and that necessary contingency plans are also drawn up to minimise the risk of disruption.

6. INSURANCE

Your Company's properties are fully insured against fire, strike, riots, earthquake and malicious damage risk.

7. FIXED DEPOSITS

The Company has not accepted any deposit from the public during the year.



8. **COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975.**

Particulars pursuant to Section 217 (1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in annexure form part of this report.

Particulars pursuant to Section 217 (2-A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are not given as none of the Employees draw salary more than Rs. 6,00,000 per annum, where employed for full year or Rs. 50,000 per month where employed for a part of the year.

9. **DIRECTORS**

Mr. Vinayak Shembekar was appointed as Alternate Director to Mr. S. K. Arora with effect from 24th February, 1999.

Mr. D. J. Thakkar and Mr. R. K. Kulkarni retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

10. **AUDITORS' REPORT**

The Comments in the Auditors' Report have been suitably explained in the Notes to the Accounts.

11. **AUDITORS**

M/s. Mukadam & Associates, Chartered Accountants, retire as Auditors of the Company and are eligible for reappointment.

12. **APPRECIATION**

Your Directors place on record their deep sense of appreciation of the devoted services of the Executives, Staff and Workers of the Company during the highly challenging environment in the period under review. Also your Directors express their grateful thanks to the Company's Bankers, Debenture holders, and Shareholders for their continued support and faith reposed in the management.

For and on behalf of the Board of Directors

Mumbai, Dated 28th December, 1999

INDRANI KHANNA
Chairperson

ANNEXURE TO DIRECTORS' REPORT

INFORMATION REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

CONSERVATION OF ENERGY

The manufacturing process for your Company's products is not power intensive, hence its impact on overall cost is marginal. However, steps have been taken to ensure energy conservation in the processing unit, installation of power saving devices, monitoring the use of electrical equipments and lights. The Company has applied for sanction of power on continuous basis to M.S.E.B., which will help in conservation of energy and improve efficiency.

TECHNOLOGY ABSORPTION & RESEARCH & DEVELOPMENT

Your Company's Plastics Piping System includes sophisticated fittings having complicated jointing systems. Updated specialised training have been imparted in India and abroad to your Company personnel, varied designs of Piping Systems are developed to extend the application to new areas.

FOREIGN EXCHANGE EARNINGS / OUTGO

With the ISO 9002 Certification from DNV B.V, Netherlands and Phase 2 approval by BG Technology, a technical wing of British Gas, Company's Plastics Piping Systems are of international quality. Trial Exports Orders have been received from abroad and further orders are now expected to materialise.

The information on foreign exchange income and outgo is contained in para (f)(i) and (j) of para 22 in Schedule 'R' to the Accounts.

For and on behalf of the Board of Directors

Mumbai, 28th December, 1999

INDRANI KHANNA
Chairperson

17th Annual Report 1998-99**AUDITORS' REPORT**

We have audited the attached Balance Sheet of EPC INDUSTRIE LIMITED as at 31st July, 1999 and the Profit & Loss Account for the year ended on that date annexed thereto and report that:

- 1) As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2) Further to our comments in the Annexure referred to in Paragraph 1 above:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
 - (c) the Balance Sheet and Profit & Loss Account referred to in this report are in agreement with the books of account.
 - (d) In our opinion the Profit & Loss Account and Balance Sheet comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to (i) Note no. 13 regarding the credit taken in the Profit & Loss account of sales tax deferment loan of Rs. 91,53,816 instead of carrying forward the same as a liability and its consequential impact on the loss for the year understated as also the balance of carried forward reserves, which have been overstated to that extent and read together with (ii) Note no. 5 regarding balances of sundry debtors, advances and creditors which are subject to confirmation and reconciliation, Note no. 6 regarding amount due from suit filed account and Note no. 8 regarding amount due on invocation of bank guarantee, the accounts read with Accounting Policies and Notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st July, 1999; and
 - (ii) in the case of Profit & Loss Account, of the Loss of the Company for the year ended on that date.

For MUKADAM & ASSOCIATES
Chartered Accountants

I.A. MUKADAM
Partner

Mumbai, Dated: 28th December, 1999

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 1 of our report of even date on the accounts of EPC INDUSTRIE LIMITED for the year ended 31st July, 1999.

1. The Company has maintained proper records showing particulars including quantitative details and situation of fixed assets. Physical verification of the assets were conducted by the management at the end of the year. The reconciliation between book records and physical verification is in progress. Hence, differences if any between the book records and the physical inventory remains to be ascertained. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and nature of its assets.
2. None of the Fixed Assets have been revalued during the year.
3. Physical verification has been conducted by the management at the end of the year in respect of raw materials and finished goods. In our opinion the frequency of verification is reasonable. The items of stores and spares purchased during the period have been shown as consumed.
4. The procedures followed by the management in such physical verifications are, in our opinion, reasonable and adequate in relation with the size of the Company and nature of its business.